

## Retail sales – February’s growth undermined by the fall in vehicle sales

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- **INEGI just published its retail sales report for February**
- **Retail sales (February): 3.6% yoy; Banorte-Ixe: 1.8%; consensus: 3%; (range of estimates: 1.8% to 7%); previous: 4.9%**
- **February’s moderate annual growth was explained by a calendar effect, as a result of the artificial base of comparison, given the leap year in 2016**
- **However, in seasonally adjusted terms, retail sales posted a 7.6% yoy expansion and a 2.2% m/m growth**
- **Durable goods sales posted a mixed performance, where we highlight the 2% m/m fall in vehicle sales**
- **Looking ahead, we believe that both private consumption and retail sales will decelerate, as a result of the upward trend in inflation coupled with the lower economic growth**

**Retail sales increased 3.6% yoy in February.** According to *INEGI’s* report published today, the income generated by retail sales grew 3.6% yoy, above our 1.8% forecast (consensus: 3% yoy). However, we highlight that February’s lower growth was explained by a calendar effect, as a result of an artificial base of comparison given the leap year in 2016. With calendar adjusted figures, retail sales increased 7.6% yoy

Taking a look at the breakdown, and analyzing the calendar-adjusted figures, we highlight the 7.3% growth in motor vehicles, auto parts, and gasoline sales. In addition, food, beverages, and tobacco sales increased 11.5%, while supermarket, convenience, and departmental stores sales increased a scant 3%, as shown in the table below.

**Retail sales: February 2017**

% yoy, calendar adjusted figures

	Feb-17	Jan-17
<b>Retail sales</b>	<b>7.6</b>	<b>5.3</b>
Food, beverages, and tobacco	11.5	11.7
Supermarket, convenience, and departmental stores	3.0	4.9
Clothing and shoes	6.0	8.2
Health care products	6.1	5.2
Office, leisure, and other personal use goods	18.7	9.4
Household appliances, computers, and interior decoration	0.3	4.6
Glass and hardware shop	17.3	5.1
Motor Vehicles, auto parts, gasoline and lube oil	7.3	4.1
Internet sales	7.3	4.5

Source: INEGI

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**In seasonally adjusted terms, retail sales increased 2.4% m/m.** February’s expansion was explained by the increase in 8 of its 9 sub-indices. Nevertheless, durable goods sales posted a mixed performance, given that “*household appliances, computers, and interior decoration*” sales increased 4.5% m/m, after the 2.7% contraction in January. However, “*motor vehicle and auto-parts*” sales fell 2%, as shown in the table below.

**Retail sales: February 2017**

% m/m, sa

	Feb-17	Jan-17	Difference
<b>Retail sales</b>	<b>2.4</b>	<b>-1.3</b>	<b>3.7</b>
Food, beverages, and tobacco	1.4	2.1	-0.7
Supermarket, convenience, and departmental stores	-0.3	0.6	-0.9
Clothing and shoes	0.6	-0.1	0.7
Health care products	1.5	-1.4	2.9
Office, leisure, and other personal use goods	6.7	-0.2	6.9
Appliances, computers, and interior decoration	4.5	-2.7	7.2
Glass and hardware shop	2.1	0.4	1.7
Motor Vehicles, auto parts, fuel and lube oil	-2.0	-0.1	-2.0
Internet sales	0.4	4.0	-3.5

Source: INEGI

**Retail sales will decelerate in the next months.** Looking ahead, we believe that both private consumption and retail sales will decelerate due to the following factors: (1) The lower economic growth in our country, caused by the uncertainty surrounding the policies that will be implemented by the Trump administration; (2) the upward trend of inflation –generated by the higher pass-through effect of the depreciation of the Mexican currency to prices and the new adjustment in gasoline prices– will discourage the consumption of durable goods; and (3) the Federal Government’s fiscal consolidation will translate into lower public investment projects, which will affect the general growth dynamics of the labor market, and consequently the recovery of private consumption.

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